

**Before the
Federal Communications Commission
Washington, D.C. 20554**

In the Matter of)	
The Effect of Foreign Mobile)	IB Docket No. 04-398
Termination Rates on U.S. Customers)	

COMMENTS OF MICHAEL J. MARCUS, SC.D.¹

Summary

International mobile roaming rates are outrageously high considering other telecommunications services, but pricing regulation is not the answer. As the Commission has found in many other contexts, *effective* competition is the most likely answer. While there is competition in many cases for international roaming, it is ineffective because of marketplace failure. As is well known, effective marketplaces require good information. The technology exists to solve this problem. FCC and other regulators should catalyze effective competition by mandating better information for consumers along the lines of what is proposed below.

Background

In March 2004 I retired from FCC after almost 25 years of service² and moved to Paris France. I currently subscribe to both French and American mobiles services and have used mobile services traveling around Europe in other countries. This background gives me useful insights into the nature of this problem as seen by consumers.

The European telecommunications establishment is very proud of the growth of GSM and its availability in many countries. Of course, it is the only system available in a lot of countries which lack the deregulatory approach of the US. As a result of this widespread growth of GSM, international dissemination of US-based standards, and the availability of multimode cellphones, international travellers are able to use the same handset in many countries as they travel.³ Unfortunately, when travelers reach for their cellphone in a new country they are

¹ These comments are being submitted on behalf of my self and without compensation or discussion with any outside parties.

² See http://hraunfoss.fcc.gov/edocs_public/attachmatch/DOC-243463A1.pdf

³ It is ironic to think that this capability was originally one of the main justifications for Iridium about 15 years ago.

playing a game of roulette with respect to the price of the call they make. Any in most cases they lose financially each time they play by paying roaming costs far in excess of typical international telecommunications prices today. Furthermore, they have no indication of how badly they lost until they see their bill weeks later.

International Roaming with US Cellphones

Assuming the phone is compatible with more than one carrier in the new country, it defaults to one carrier selected by the original carrier but gives the user, in a nonobvious way, the option of selecting another carrier. International travellers see hints of this in billboards and sometimes ads on luggage carts in airports and major train stations urging you to select a specified carrier. What is lacking is any indication of the price of that carrier for roaming calls.

The basic nature of this problem can be seen in a statement on the British website of T-Mobile, <http://www.t-mobile.co.uk> :

The costs of calls made while roaming are dependent on the charge levels of the roaming partner whose service you are using. Calls to your T-Mobile number will be forwarded to you whilst roaming - you will be charged for an international call whilst the caller is charged as normal by their provider for calling a mobile number.

However, looking at the US website of T-Mobile, <http://www.t-mobile.com>, *no roaming pricing could be found!*

Cingular does give roaming prices on their website, http://www.cingular.com/shop/roaming/roaming_TDMA_B/0,,00.html where a variety of countries are available at \$1.99/minute although Canada is available at \$0.79/minute. Hence, a Cingular user in Central or South America must pay \$1.20/minute more for roaming than a user visiting Canada. Does this represent the differential cost of a connection to Central America vice Canada? A check of retail telecom costs quickly shows that retail capacity to South America is much less⁴ and presumably Cingular buys capacity at more favorable rates. The Canadian rate of \$0.79/minute shows the cost of intercompany billing and handoff and probably is already high.

Verizon Wireless on its website, www.verizonwireless.com, gives this information

What are the rates for calls made and received while traveling

⁴ Sprint charges \$0.19/minute to Brazil and Colombia for example. See <http://shop.sprint.com/residential/voiceservices/longDistance/plans/planDetails/planDetails.jsp?bmUID=1102511242126&prodCode=4TT>

internationally?

If you are traveling in Bermuda, Canada, Dominican Republic, Mexico, Puerto Rico, South Korea, or Venezuela, rates are \$0.69 per minute if not included in your Calling Plan's home airtime rate. International long distance rates apply on incoming calls and voice mail messages. Please note: pass-through of serving carrier's long distance and toll charges, taxes, and surcharges also apply.

If you are using a Global Phone in 'CDMA mode' while traveling internationally, the above rates apply. In GSM mode, **airtime rates are just \$1.29 per minute in most countries** (emphasis added) with airtime in Democratic Republic of Congo, Equatorial Guinea, Gabon, Indonesia, Kenya, Mali, Russia, and Sri Lanka at \$2.49 per minute. International long distance charges apply in addition to airtime on incoming calls, and voice mail deposits and retrievals.

If you enroll in our Global Rental program, in most countries you will pay a flat \$1.49 per minute with no additional long distance or roaming charges. In certain premium rate countries airtime is a flat \$2.49 per minute. For more details visit our Global Rental webpage or contact Customer Service at 1-800-711-8300.

While Verizon Wireless might think "just \$1.29/minute" is reasonable for "most countries", I happen to think this is rather high compared to retail prices for international communications services at present. The current general level of pricing for international telecommunications is an accomplishment that the FCC and its International Bureau should be justifiably proud as it results from many years of consistent effort to bring prices in line with costs. The pricing of international roaming is an aberration which is out of line with other cost decreases in the past decade.

Roaming Costs for Foreign Cellphones Operated in the US

While the authors of the Communications Act in 1934 probably did not consider the regulatory of status of foreign operator cell phones roaming in the US, it would appear to me that the Act gives the Commission Title II jurisdiction over such use. Foreign tourism and foreign investment are key contributors to the US economy and hence outrageous pricing of cell phone calls by foreign visitors to the US is not in the national interest.

While I can find little hard data on prices charged to foreign based phones roaming in the US, pricing from the UK division of Orange may be indicative. Orange UK refers to these as "our competitive fixed rates for international calls". They charge 110p/minute (\$2.14/minute)⁵ for calls originated in the US and destined to UK and 65p/minute (\$1.26/minute) for calls originated in UK and terminating in a cellphone in the US. The US-UK international

⁵ Exchange rate of £1 = \$1.9455 (December 7, 2004)

telecommunications market is a highly competitive one and the fair market value for voice calls is about \$0.20/minute although careful shoppers can find much lower rates⁶. (Careless shoppers, such as callers from hotel rooms and pay phones, can find much higher rates but they at least have more meaningful marketplace choices available than cell phone users.)

Foreigners visiting the US generally have a choice of selecting US carriers to use for their cellphone but this competition is ineffective due to the lack of pricing information to make an informed choice. (It may also be ineffective due to the automatic selection of most cellphones and the obscurity of the carrier selection function.)

Availability of Roaming for US Mobile Users

One of the reasons the FCC was created was to “so as to make available, so far as possible, to all the people of the United States ... a rapid, efficient, Nation-wide, and world-wide wire and radio communication service with adequate facilities at reasonable charges”⁷. While multimode GSM phones are available to handle roaming in many countries, the limited use of GSM in the Pacific Rim prevents single cellphone GSM use for travelers to that region. In Japan, CDMA cellphones are available which are capable of operating in the US, China, Japan, and Korea as well as 8 other Pacific Rim countries.⁸ Such phones would be very useful to Americans who travel in the Pacific Rim but as far as I can tell are not available in the US *at any cost*.

Again, I do not think that regulation is the answer here. But I think the FCC should be at least *curious* about why such cellphones are marketed in Japan but not available to American subscribers. The usual explanation is “technical problems” but the existence of the Japanese phones appears to refute that.

I urge the Commission to discuss this issue with US carriers and also to see if any deregulatory actions would be possible to end this marketplace failure and improve competition and services for American users who travel in Asia.

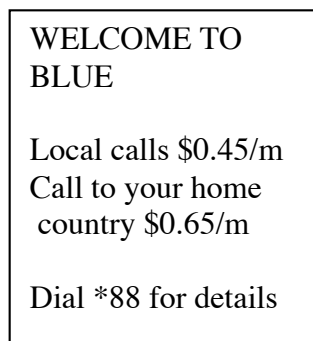
⁶ For example, Vonage charges \$0.03/minute for calls to the UK and \$0.28/minute for calls to UK cell phones. Vonage’s highest prices, other than to GMPCS satellite phones, is \$1.25 to cellphones in Afghanistan and \$1.27/minute to Diego Garcia – not a hotbed of competition. See <http://www.vonage.com/intrates.php> Presumably Vonage has a connecting agreement with a terminating carrier and makes a profit at these rates.

⁷ 47 USC 151

⁸ See http://www.au.kddi.com/english/global/service_area/index.html

A Modest Proposal for Improving Marketplace Forces in International Roaming

The Commission has previously detariffed a variety of domestic and international services while requiring good consumer access to pricing information. Cellphones today generally have microprocessor capability and a display capable of a few lines of text. This creates options for improving customer information that do not exist for POTS. Specifically I suggest that FCC and other national regulators require that cellphones with minimal displays must be capable of selecting technically compatible carriers in a given area and displaying at the time of selection a summary of the rates charged. An example of how this might be displayed on the display of a cellphone is given below:



WELCOME TO
BLUE

Local calls \$0.45/m
Call to your home
country \$0.65/m

Dial *88 for details

Figure 1: Example of Possible Cellphone Display of Pricing Information

I urge the Commission, in partnership with other regulators or the ITU to require such information with a phase-in schedule of 1-2 years. With such a phase-in time, the carrier costs should be minimal compared to the consumer benefits.

Summary

In summary, cellular carriers provide little effective information at the moment to help users of international roaming make rational decisions on roaming carrier choice. This in turn results in ineffective competition and very high prices compared to other services. While price regulation could reduce prices, experience shows that it creates other problems and is against recent deregulatory trends. Mandated improved information using the displays of cellphones is recommended as an alternative with minimal regulatory impact and maximal consumer benefit.

It is also suggested that Commission examine why US customers do not have access at any cost to international roaming arrangements available in other countries.

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December 8, 2004